

Institute For Science And Health

**Financial Statements
As of September 30, 2010 and 2009
Together With Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Institute For Science And Health

I have audited the accompanying Statements of Financial Position of the Institute For Science And Health (A Missouri General Not-For-Profit Corporation) as of September 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute For Science And Health, as of September 30, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 16, 2011

Institute for Science and Health
Statement of Financial Position
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 867,714	\$1,929,685
Prepaid Income Taxes	<u>\$ 3,440</u>	<u>\$ 3,440</u>
Total current assets	<u>\$ 871,154</u>	<u>\$1,933,125</u>
Noncurrent Assets:		
Furniture and equipment	\$ 7,466	\$ 16,516
Other Assets:		
Security deposits	-	1,210
Total Noncurrent Assets	<u>\$ 7,466</u>	<u>\$ 17,726</u>
Total Assets	<u><u>\$ 878,620</u></u>	<u><u>\$1,950,851</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>
Total current liabilities/total liabilities	\$ -	\$ -
Net assets:		
Unrestricted net assets:	<u>878,620</u>	<u>1,950,851</u>
Total liabilities and net assets	<u><u>\$ 878,620</u></u>	<u><u>\$1,950,851</u></u>

See accompanying notes to financial statements

Institute for Science and Health
Statement of Activities
For the Year Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Support		
Unrestricted grant income	\$ -	\$ 199,980
Donation income	207,812	43,942
Special event income	41,082	108,029
Interest & dividend income	2,983	11,766
Other Income	740	10,177
	<hr/>	<hr/>
Total unrestricted support	\$ 252,617	\$ 373,894
Expenses		
Project Costs		
Research Grants	625,072	723,152
Advertising	4,969	-
Travel, lodging & meals	1,616	26,526
Honoraria	-	11,066
Project costs	44,519	59,293
Writing and other	-	2,894
	<hr/>	<hr/>
Total Project Costs	\$ 676,176	\$ 822,931
Administration Costs		
Salaries and Wages	\$ 207,125	\$ 490,889
Rent	40,516	48,182
Depreciation	9,050	11,492
Insurance	8,321	12,796
Travel & entertainment	7,566	10,325
Professional Fees	548	24,985
Payroll taxes, benefits and fees	50,908	78,147
Outside services	152,057	258,114
Communications	7,225	9,966
Business development	-	13,277
401k expense	3,187	2,278
Dues & subscriptions	5,592	10,640
Donations	147,925	23,338
Office supplies	1,701	3,079
Computer expense	1,318	12,257
Administrative expense-other	5,331	5,883
Income taxes and other	302	2,754
	<hr/>	<hr/>
Total administration costs	\$ 648,672	\$ 1,018,402
Total expenses	<hr/>	<hr/>
	\$ 1,324,848	\$ 1,841,333
Change in net assets	\$ (1,072,231)	\$(1,467,439)
Net assets as of beginning of year	<hr/>	<hr/>
	1,950,851	3,418,290
Net assets as of end of year	<hr/>	<hr/>
	\$ 878,620	\$ 1,950,851

See accompanying notes to financial statements

*Institute for Science and Health
Statement of Functional Expenses
For the Year Ended September 30, 2010 and 2009*

	2010				2009			
	Fundraising	Management	Program	Total	Fundraising	Management	Program	Total
Project Costs								
Research Grants	\$ -	\$ -	\$ 625,072	\$ 625,072	\$ -	\$ -	\$ 723,152	\$ 723,152
Travel, lodging & meals	-	-	1,616	1,616	-	-	26,526	26,526
Advertising	-	-	4,969	4,969	-	-	-	-
Honoraria	-	-	-	-	-	-	11,066	11,066
Project costs	-	-	44,519	44,519	-	-	59,293	59,293
Writing and other	-	-	-	-	-	-	2,894	2,894
Total Project Costs	\$ -	\$ -	\$ 676,176	\$ 676,176	\$ -	\$ -	\$ 822,931	\$ 822,931
Administration Costs								
Salaries and Wages	\$ 33,140	\$ 31,069	\$ 142,916	\$ 207,125	\$ 78,542	\$ 73,633	\$ 338,714	\$ 490,889
Rent	6,483	6,077	27,956	40,516	7,709	7,227	33,246	48,182
Depreciation	1,448	1,358	6,245	9,051	1,838	1,724	7,930	11,492
Insurance	1,331	1,248	5,741	8,320	2,047	1,919	8,830	12,796
Travel & entertainment	7,566	-	-	7,566	10,325	-	-	10,325
Professional Fees	88	82	378	548	3,998	3,748	17,239	24,985
Payroll taxes, benefits and fees	8,145	7,636	35,127	50,908	12,504	11,722	53,921	78,147
Outside services	24,329	22,809	104,919	152,057	41,298	38,717	178,099	258,114
Communications	1,156	1,084	4,985	7,225	1,595	1,495	6,876	9,966
Business development	-	-	-	-	-	-	9,161	13,277
401k expense	510	478	2,199	3,187	364	342	1,572	2,278
Dues & subscriptions	895	839	3,858	5,592	1,702	1,596	7,342	10,640
Donations	-	-	-	-	-	-	23,338	23,338
Office supplies	272	255	147,925	147,925	493	462	23,338	23,338
Computer expense	211	198	1,174	1,701	961	839	2,124	3,079
Administrative expense-other	853	800	3,678	5,331	941	882	4,060	5,883
Income taxes and other	48	46	208	302	441	413	1,900	2,754
Total administration costs	\$ 86,475	\$ 73,979	\$ 488,218	\$ 648,672	\$ 167,882	\$ 147,711	\$ 702,809	\$ 1,018,402
Total expenses	\$ 86,475	\$ 73,979	\$ 1,164,394	\$ 1,324,848	\$ 167,882	\$ 147,711	\$ 1,525,740	\$ 1,841,333

See accompanying notes to financial statements

Institute for Science and Health
Statement of Cash Flows
For the Year Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Activities		
Change in net assets	\$ (1,072,231)	\$ (1,467,439)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,050	11,472
(Increase) in operating assets		
Accounts Receivable	-	299
Prepaid Income Tax	-	-
Other assets	1,210	-
	<u>1,210</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ (1,061,971)</u>	<u>\$ (1,455,668)</u>
Investing activities		
Sale of Vehicles and fixed assets	<u>\$ -</u>	<u>\$ 9,689</u>
Net cash used in investing activities	<u>\$ -</u>	<u>\$ 9,689</u>
Net increase(decrease) in cash and cash equivalents	\$ (1,061,971)	\$ (1,445,979)
Cash and cash equivalents as of beginning of year	<u>1,929,685</u>	<u>3,375,664</u>
Cash and cash equivalents as of end of year	<u>\$ 867,714</u>	<u>\$ 1,929,685</u>

See accompanying notes to financial statements

**Institute for Science and Health
Notes to Financial Statements
September 30, 2010 and 2009**

NOTE 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Institute is a private operating foundation as defined in Section 4942(j)(3) of the Internal Revenue Code that secures and administers grants for under-funded, under-researched health issues affecting at risk populations. The Institute's support comes primarily from individual and corporate donors.

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Public Support and Revenue

Contributions and grants are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Note 2: Cash

All cash held by the Institute at September 30, 2010 and 2009 are covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

**Institute for Science and Health
Notes to Financial Statements (Continued)**

Note 3: Furniture and Equipment

Furniture and equipment at September 30, 2009 and 2008, consisted of the following:

	<u>2010</u>	<u>2009</u>
Computer Equipment	\$ 24,019	\$ 24,019
Furniture	40,755	40,755
Office Equipment	10,001	10,001
	<u>\$ 74,775</u>	<u>\$ 74,775</u>
Less: accumulated depreciation	\$ (67,309)	\$ (58,259)
	<u>\$ 7,466</u>	<u>\$ 16,516</u>

The Institute follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of assets generally five to seven years.

Note 4: Retirement Arrangements with Staff Employees

The Institute offers staff employees the opportunity for participation in the Administaff 401k plan. The Institute elected the safe harbor plan provision of the plan.

Note 5: Functional Allocation of Expenses

The costs of providing various grants and projects have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 6: Tax Status Determination

On October 11, 2006 the Internal Revenue Service determined that the Institute qualified as a private operating foundation under section 4942(j)(3) of the Internal Revenue Code of 1986, as amended.

Note 7: Lease

The Institute leases its facilities under a variety of noncancellable operating leases expiring at various dates through August 2010. Under the terms of the leases, the lessor pays all maintenance expenses related to the property. There were no minimum future lease obligations at September 30, 2010.

Note 8: Commitments

At September 30, 2010 the Institute has made commitments of donated funds toward various research projects and grants which have yet to be disbursed. The amount of commitments of funds which have not been disbursed as of September 30, 2010 totals \$490,027. While the exact timing of the future disbursements is not known, management anticipates having all of these committed funds disbursed by the end of year 2011. The disbursement of these funds will be reflected as grant and project expenses in the year disbursed.

Note 9: Fair Value of Financial Instruments

The following methods and assumptions were used by the Institute in estimating fair value disclosures for financial instruments.

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of these instruments.

The estimated fair value of the Institute financial instruments are as follows:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
FINANCIAL ASSETS		
Cash and equivalents	\$867,714.00	\$867,714.00

Note 10: Subsequent Events

On February 16, 2011 the Board of Directors of the Institute for Science and Health voted to alter the operations and management strategy of the Institute. Effective March 31, 2011 the Institute will convert from a paid staff to a minimum volunteer staff. The Institute For Science and Health will continue to remain a viable not-for-profit research support entity. In this capacity, the Institute volunteer staff will continue to support any previously contracted obligations (research programs or otherwise) to their completion. All funds for this process have been encumbered and reserved.

The Institute's Board of Directors felt that this was the best way to increase the longevity of the Institute and preserve its important mission and vision. The challenging economic landscape of the past several years has dramatically affected the ability of the Institute to identify and obtain reliable revenue streams to maintain its traditional mode of operations. Should new sources of revenue be identified and acquired as a result of an improved economic landscape, the Board would anticipate a re-conversion to a business model with paid staff.